

ASSEMBLY BILL

No. 2002

Introduced by Assembly Member Huffman

February 17, 2010

An act to amend Section 923.5 of, and to repeal Section 11558 of, the Insurance Code, relating to reserve requirements.

LEGISLATIVE COUNSEL'S DIGEST

AB 2002, as introduced, Huffman. Reserve requirements.

Existing law requires the Insurance Commissioner to promulgate regulations for the computation of the amount of reserves to be maintained by each insurer transacting business in this state. Under existing law, the minimum reserve requirement prescribed by the commissioner pursuant to those regulations cannot be less than 60% of certain liability insurer's earned premiums during each year less the amount already paid for related incidental losses and expenses, as specified.

This bill would remove the 60% reserve requirement for those liability insurers and allow the Insurance Commissioner to prescribe the minimum reserve requirement by regulation.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 923.5 of the Insurance Code is amended
- 2 to read:
- 3 923.5. Each insurer transacting business in this state shall at
- 4 all times maintain reserves in an amount estimated in the aggregate

1 to provide for the payment of all losses and claims for which the
2 insurer may be liable, and to provide for the expense of adjustment
3 or settlement of losses and claims.

4 The reserves shall be computed in accordance with regulations
5 made from time to time by the commissioner. The promulgation
6 of the regulations by the commissioner, or any changes thereto or
7 amendments thereof, shall be in accordance with the procedure
8 provided in Chapter 3.5 (commencing with Section 11340) of Part
9 1 of Division 3 of Title 2 of the Government Code. The
10 commissioner shall make the regulations upon reasonable
11 consideration of the ascertained experience and the character of
12 such kinds of business for the purpose of adequately protecting
13 the insured and securing the solvency of the insurer.

14 ~~With respect to liability and common carrier liability, the~~
15 ~~regulations shall be consistent with Section 11558.~~

16 The commissioner may prescribe the manner and form of
17 reporting pertinent information concerning the reserves provided
18 for in this section.

19 This section shall not apply to life insurance, title insurance,
20 disability insurance, mortgage insurance, or mortgage guaranty
21 insurance.

22 SEC. 2. Section 11558 of the Insurance Code is repealed.

23 ~~11558. The minimum reserve requirements prescribed by the~~
24 ~~commissioner in regulations promulgated pursuant to Section 923.5~~
25 ~~for outstanding losses and loss expenses for each of the most recent~~
26 ~~three years for coverages included in the lines of business described~~
27 ~~in the annual statement as liability other than automobile bodily~~
28 ~~injury, and for automobile liability bodily injury, shall be not less~~
29 ~~than 60 percent of earned premiums during each year less the~~
30 ~~amount already paid for losses and expenses incidental thereto~~
31 ~~incurred during each such year.~~

32 ~~The commissioner may prescribe the manner and form of~~
33 ~~reporting pertinent information concerning the reserves provided~~
34 ~~for in this section.~~